

WEBER BASIN WATER CONSERVANCY DISTRICT

Financial Statements and Supplementary Data
June 30, 2006 and 2005

(With Auditors' Report Thereon)

WEBER BASIN WATER CONSERVANCY DISTRICT

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Independent Auditors' Report

The President and Board of Trustees
Weber Basin Water Conservancy District
Layton, Utah

We have audited the accompanying statement of net assets of Weber Basin Water Conservancy District as of June 30, 2006 and 2005, and the related statement of revenue, expenses and changes in net assets and statement of cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Weber Basin Water Conservancy District at June 30, 2006 and 2005, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated September 15, 2006 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits of the basic financial statements were made primarily to form an opinion on such financial statements taken as a whole. The supplementary information contained in Schedules 1-12 is presented for the purposes of additional analysis and, the accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and, although not required for a fair presentation of financial position, results of operations, and cash flows, was subjected to the audit procedures applied in the audits of the basic financial statements. In our opinion, the supplementary information is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Crane Christensen & Ambrose

September 15, 2006



WEBER BASIN WATER CONSERVANCY DISTRICT

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MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial activities of Weber Basin Water Conservancy District is provided by the District's management. This information is to provide the reader with a summary of key financial activity, in narrative form, during the fiscal year ended June 30, 2006. More detailed information regarding the financial activities may be found in the "Financial Statements and Supplementary Data (with Auditors' report)" prepared by the District's independent auditor.

Overview of the Financial Statements

Weber Basin Water Conservancy District's financial statements consist of the following:

The Statement of Net Assets provides information regarding all assets of the District, such as cash, investments, water stock, sinking fund reserves, property and equipment, as well as the liabilities of the District, such as accounts payable and long-term debt. The difference between the assets and liabilities is reported as net assets.

The Statement of Income from Operations, Expenses and Changes in Net Assets shows all revenue received during the most recent fiscal year broken down by the various types of water sales, property taxes, power sales, interest earnings, and miscellaneous revenue. Expenses are broken down into payroll related expenses, maintenance and repairs, utilities, insurance, interest expense, depreciation, and other miscellaneous expenses. This statement also provides information regarding the change in net assets between the most recent and the preceding fiscal years.

The Statement of Cash Flows shows what affect the District's operating activities, investing activities, capital and related financing activities had on cash flow. This statement also reconciles the operating income to the net cash provided by operating activities.

Notes to Financial Statements provides additional information regarding, among other items, the organization and significant accounting policies of the District, cash and investments, more detailed information on property and equipment and long-term liabilities.

Schedules provide supporting information to the statements referred to above, breaking down the Statement of Net Assets by fund, as well as showing, by fund, the receipts and disbursements. The schedules section of the report also includes a statement of operations for the Operations & Maintenance fund, a listing of insurance policies in force, statements of cash receipts and disbursements for each bond series, and a schedule of the District's investments.

Other Information includes various letters from the independent auditor regarding compliance issues.

Condensed Financial Information

Statement of Net Assets

Total net assets increased by \$4,165,945 (3.2%) during fiscal year 2006. A decrease of nearly \$3,000,000 in long-term debt accounted for approximately 70% of the net increase in assets. The majority of the balance of the increase in total net assets came from cash and investments increases of approximately \$950,000.

Condensed Statement of Net Assets

	FY 2006	FY 2005	FY 2004	Net Change 2006-2005
Assets				
Current and Other Assets	\$42,806,805	\$41,376,647	\$43,620,609	\$ 1,430,158
Capital Assets	210,789,479	210,490,521	207,795,598	298,958
Total Assets	\$253,596,284	\$251,867,168	\$251,416,207	\$ 1,729,116
Liabilities				
Current and Other Liabilities	\$8,165,078	\$7,604,230	\$6,888,482	\$ 560,848
Long-term Liabilities	111,940,574	114,938,251	117,958,090	(2,997,677)
Total Liabilities	\$120,105,652	\$122,542,481	\$124,846,572	(\$2,436,829)
Net Assets				
Net Assets invested in capital assets, net of related debt	\$95,068,205	\$94,204,890	\$85,551,646	\$ 863,315
Restricted – temporary	27,656,020	26,159,811	26,131,818	1,496,209
Unrestricted	10,766,407	8,959,986	14,886,171	1,806,421
Total Net Assets	\$133,490,632	\$129,324,687	\$126,569,635	\$4,165,945

Statement of Revenues

Water sales increased by \$752,499 (6.4%) from fiscal year 2005 to fiscal year 2006 to a large degree based on an increase in the water rate for treated and untreated Municipal & Industrial (M&I) water. Besides M&I water sales to municipalities, water improvement districts, and industries, the District wholesales irrigation water, secondary water, and replacement water to companies. Also, the District provides replacement, secondary and irrigation water to individuals.

In December 2001 the Board of Trustees of Weber Basin Water Conservancy District approved a four-year plan of scheduled water rate increases for treated M&I water (\$10-\$12 per acre-foot per year) and untreated M&I water (\$4.50 per acre-foot per year). Fiscal year 2006 was the fourth year these new rates were effective.

By Utah state statute the District is authorized to assess a tax rate of up to .000200 on all taxable property within the District. The Board of Trustees approved a rate of .000193, which was assessed during fiscal year 2006.

With interest rates rising sharply during the fiscal year, the District's interest income rose 57.5% to over \$1,000,000.

Condensed Statement of Revenues

Revenue	FY 2006	FY 2005	FY 2004	Net Change 2006-2005
Water Sales	\$12,486,449	\$11,733,950	\$10,829,575	\$752,499
Ad Valorem & Fee-in-lieu of taxes	5,660,547	5,429,195	5,138,259	231,352
Interest	1,084,934	688,918	637,375	396,016
Miscellaneous	669,716	435,440	459,047	234,276
Total Revenues	\$19,901,646	\$18,287,503	\$17,064,256	\$1,614,143

Statement of Expenses

Expenses decreased by \$409,398 (2.5 percent) from fiscal year 2005 to fiscal year 2006. Due largely to the good water year that allowed the District to generate power and not to rely as heavily on outside sources of power, the utility costs decreased by \$820,042 during fiscal year 2006 from the previous fiscal year total. Another large change included an increase of \$650,416 in the salaries, payroll taxes and benefits line, with the largest contributing factor coming from the costs associated with the voluntary severance plan that was accepted by six employees. Costs savings in payroll and related benefits are expected to recover the voluntary severance plan costs in less than three years. Due mainly to a bond refunding in fiscal year 2005, interest expense was down in fiscal year 2006

Condensed Statement of Expenses

Expenses	FY 2006	FY 2005	FY 2004	Net Change 2006-2005
Salaries & Payroll taxes and Benefits	\$5,705,292	\$5,054,876	\$4,853,019	\$650,416
Maint & Repairs, Equip, Chemicals	1,593,171	1,548,394	1,475,039	44,777
Power and Utilities	92,808	912,850	1,442,252	(820,042)
Interest Expense	2,754,641	3,000,431	3,067,039	(245,790)
Insurance & Professional Services	434,114	398,614	399,639	35,500
Depreciation	3,843,097	3,833,780	3,218,048	9,317
Miscellaneous	1,312,578	1,396,154	1,372,204	(83,576)
Total Expenses	\$15,735,701	\$16,145,099	\$15,827,240	(\$409,398)

Statement of Changes in Net Assets

Below is a condensed statement of net assets that shows that the District improved its net assets by \$4,165,945 during fiscal year 2006 compared to fiscal year 2005.

Condensed Statement of Changes in Net Assets

Revenues and Expenses	FY 2006	FY 2005	FY 2004	Net Change 2006-2005
Revenues	\$19,901,646	\$18,287,503	\$17,064,256	\$1,614,143
Expenses	15,735,701	16,145,099	15,827,240	(409,398)
Net Income	\$4,165,945	\$2,142,404	\$1,237,016	\$2,023,541
Net Assets - Beginning of Year	129,324,687	127,182,283*	125,332,619	2,142,404
Net Assets - End of Year	\$133,490,632	\$129,324,687	\$126,569,635*	\$4,165,945

*prior period adjustment was made

Actual Results versus Budget Amounts

No changes were made to the fiscal year 2006 budget after its adoption in June 2005. The total receipts (including loan advances, bond proceeds and use of reserve funds) for fiscal year 2006 were \$4,845,295 below the budgeted amount, which actually was a positive result inasmuch as the "decrease" in total receipts was due to not having to use reserve funds and not needing all the loan advances budgeted. The total revenues were \$759,646 more than planned. The decrease in expenditures of \$6,028,232 was due mainly to the \$4.1 million spent for capital improvements versus the plan of \$8.8 million. The following table summarizes the differences between the fiscal year 2006 budget amounts and the actual results.

Condensed Statement of Actual vs. Budget Amounts – FY 2006 **Total Receipts (Revenues, Loan & Bond Proceeds, Use of Reserves) less** **Total Expenditures (O&M Expenses, Capital Expenses, Loan & Bond Payments)**

Receipts

	FY 2006 Actual Results	FY 2006 Budget Amount	Difference Actual vs. Budget
Revenue			
Water Sales	\$12,486,449	\$12,485,000	\$ 1,449
Ad Valorem & Fee-in-lieu of taxes	5,660,547	5,570,000	90,547
Interest	1,084,934	857,000	227,934
Miscellaneous	669,716	230,000	439,716
Total Revenues	\$19,901,646	\$19,142,000	\$759,646
Loan and Bond Proceeds & Use of Reserves			
Loan Advance/Use of Bond Proceeds	\$811,354	\$1,968,281	(\$1,156,927)
Use of Reserve Funds	0	4,448,014	(4,448,014)
Total Loan and Bond Proceeds & Use of Reserves	\$811,354	\$6,416,295	(\$5,604,941)
Total Receipts	\$20,713,000	\$25,558,295	(\$4,845,295)

Expenditures

	FY 2006 Actual Results	FY 2006 Budget Amount	Difference Actual vs. Budget
Salaries & Payroll taxes and Benefits	\$5,705,292	\$5,570,000	\$135,292
Maintenance & Repairs, Equipment and Chemicals	1,593,171	2,478,000	(884,829)
Power and Utilities	92,808	655,000	(562,192)
Interest Expense	2,754,641	2,675,273	79,368
Insurance and Professional Services	434,114	375,000	59,114
Capital Improvements	4,095,422	8,843,535	(4,748,113)
Loan Payments	2,149,428	1,995,185	154,243
Bond Payments	1,126,000	1,126,000	0
Miscellaneous	1,579,187	1,840,302	(261,115)
Total Expenditures	\$19,530,063	\$25,558,295	(\$6,028,232)
Difference - Actual vs. Budget Amounts	\$1,182,937	\$0	\$1,182,937

Capital Asset and Long-Term Debt Activity

The District did not issue any bonds during fiscal year 2006 but received approximately \$800,000 in loan advances. Major capital asset activity, listed below, during fiscal year 2006 included: Upgrade work on the Fairfield Well; work on the new maintenance shop building; construction of the Little Mountain Reservoir; the drilling and equipping of North Ogden Well #1; the Weber South Water Treatment Plant Remodel; and continued work on the West Weber Secondary Water System. The District met all of its bond and loan obligations in a timely manner during fiscal year 2006 and its debt service coverage rate (2.29) was well above the bond covenant rate (1.25).

Statement of Significant Capital Asset and Long-Term Debt Activity

Significant Long-Term Debt Activity	Increase (Decrease)	Purpose
Advance from Bureau of Reclamation	\$811,354	Funding for Rehabilitation & Betterment Projects
Significant Capital Asset Activity	Increase	
Fairfield Well Upgrade	\$191,135	
New Maintenance Shop Complex	647,143	
Little Mountain Reservoir	607,172	
North Weber Well #1	552,617	
Weber South WTP Plant Remodel	1,112,344	
West Weber Secondary Water System	251,595	
Total	\$3,362,006	

Expectations of Changes in Financial Position

The District expects to issue bonds either in the latter half of fiscal year 2007 or the first half of fiscal year 2008 to be used mainly for the Weber South Water Treatment Plant Rehabilitation. Revenues are expected to remain on a slightly upward trend. Capital project expenditures for fiscal year 2007 are expected to be approximately \$13.8 million. Among the planned projects for fiscal year 2007 are work on the Weber South Water Treatment Plant Rehabilitation and Expansion, the construction of the SOLA building, continued work on the rehabilitation of the Gateway Canal, drilling and equipping of new wells and replacement of old pipeline. These and other projects will be funded through the bond issue mentioned above and from reserves that have been set aside for these purposes. District management is confident that Weber Basin Water Conservancy District will continue in its strong financial condition.

WEBER BASIN WATER CONSERVANCY DISTRICT

Statement of Net Assets

June 30, 2006 and 2005

<u>Assets</u>	<u>2006</u>	<u>2005</u> <u>Restated</u> <u>See Note 9</u>
Current assets:		
Cash (note 2)	\$ 1,556,579	1,141,824
Investments (note 2)	22,510,803	21,972,243
Prepaid consulting fees	21,313	21,313
Water stock investments, at cost (notes 3, 5 and 6)	12,046,988	12,046,988
Insurance deposits	2,487	2,487
Cafeteria plan	2,000	2,104
Total current assets	<u>36,140,170</u>	<u>35,186,959</u>
Sinking fund and reserve fund assets:		
Cash (note 2)	-	104
Investments (note 2)	<u>5,339,054</u>	<u>4,730,604</u>
Total sinking fund and reserve fund assets	<u>5,339,054</u>	<u>4,730,708</u>
Other assets:		
Deferred bond interest	949,526	1,055,029
Bond issue costs	<u>378,055</u>	<u>403,951</u>
Total other assets	<u>1,327,581</u>	<u>1,458,980</u>
Capital assets less accumulated depreciation of \$34,293,736 in 2006 and \$30,886,046 in 2005 (includes system constructed by United States Government) (notes 1 and 4)	<u>210,789,479</u>	<u>210,490,521</u>
Total assets	<u>253,596,284</u>	<u>251,867,168</u>
<u>Liabilities</u>		
Current liabilities:		
Current installments of long-term debt (note 5)	3,780,700	3,242,380
Accounts payable	2,295,654	2,144,569
Compensated absences	<u>963,932</u>	<u>1,041,362</u>
Total current liabilities	<u>7,040,286</u>	<u>6,428,311</u>
Other liabilities:		
Bond premium	1,124,792	1,175,919
Long-term debt (note 5)	111,940,574	114,938,251
Contingencies (note 7)	-	-
Total liabilities	<u>120,105,652</u>	<u>122,542,481</u>
<u>Net Assets</u>		
Investment in capital assets - net of related debt	95,068,205	94,204,890
Restricted	27,656,020	26,159,811
Unrestricted	<u>10,766,407</u>	<u>8,959,986</u>
Total net assets	<u>\$133,490,632</u>	<u>129,324,687</u>

See independent auditors' report and notes to financial statements.

WEBER BASIN WATER CONSERVANCY DISTRICT

Statement of Income from Operations, Expenses and Changes in Net Assets

Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u> <u>Restated</u> <u>See Note 9</u>
Income from operations:		
Water sales:		
Replacement water	\$ 1,560,591	1,327,261
Municipalities	6,233,617	5,982,822
Irrigation charges	3,354,910	3,138,852
Companies	727,790	616,326
Untreated	609,541	668,689
Ad valorem taxes	5,091,420	4,848,810
Fees in lieu of taxes	569,127	580,385
Power sales	63,267	21,788
Fish and Wildlife	96,912	115,941
Miscellaneous	509,537	297,711
Total revenue	<u>18,816,712</u>	<u>17,598,585</u>
Expenses:		
Salaries	3,600,087	3,390,365
Payroll taxes and fringe benefits	2,105,205	1,664,511
Maintenance and repairs	934,065	991,506
Power and utilities	92,808	912,850
Chemicals	659,106	556,888
Operation and maintenance to other organizations	541,322	526,733
Insurance	308,869	319,490
Professional services	125,245	79,124
Depreciation	3,843,097	3,833,780
Miscellaneous	771,256	869,421
Total expenses	<u>12,981,060</u>	<u>13,144,668</u>
Net income from operations	<u>5,835,652</u>	<u>4,453,917</u>
Non-operating income and expenses:		
Interest income	1,084,934	688,918
Interest expense	(2,754,641)	(3,000,431)
Net non-operating income and expenses	<u>(1,669,707)</u>	<u>(2,311,513)</u>
Change in net assets	4,165,945	2,142,404
Net assets - beginning of year	<u>129,324,687</u>	<u>127,182,283</u>
Net assets - end of year	<u>\$133,490,632</u>	<u>129,324,687</u>

See independent auditors' report and notes to financial statements.

WEBER BASIN WATER CONSERVANCY DISTRICT

Statement of Cash Flows

Years Ended June 30, 2006 and 2005

	<u>2006</u>	2005 Restated <u>See Note 9</u>
Cash flows from operating activities:		
Receipt from customers	\$ 18,718,952	17,424,773
Payment to suppliers	(3,265,166)	(4,448,419)
Payment to employees	<u>(5,782,618)</u>	<u>(4,992,982)</u>
Net cash provided by operating activities	<u>9,671,168</u>	<u>7,983,372</u>
Cash flows from investing activities:		
Interest received	1,089,921	688,818
Sale of investments	883,903	4,533,410
Purchase of investments	<u>(2,021,707)</u>	<u>(895,947)</u>
Net cash (used) provided by investing activities	<u>(47,883)</u>	<u>4,326,281</u>
Cash flows from capital and related financing activities:		
Interest paid	(2,649,138)	(2,894,928)
Purchase of capital assets	(4,095,422)	(5,061,748)
Increase in long-term debt	811,354	2,720
Principal paid on long-term debt	<u>(3,275,428)</u>	<u>(4,421,311)</u>
Net cash used by capital and related financial activities	<u>(9,208,634)</u>	<u>(12,375,267)</u>
Net increase (decrease) in cash	414,651	(65,614)
Cash - beginning of year	<u>1,141,928</u>	<u>1,207,542</u>
Cash - end of year	\$ <u>1,556,579</u>	<u>1,141,928</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 4,165,945	2,142,404
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	3,843,097	3,833,780
Interest received	(1,089,921)	(688,818)
Interest paid	2,649,138	2,894,928
Increase in accounts payable	151,085	530,050
Increase (decrease) in compensated absences	(77,430)	53,261
Other adjustments	<u>29,254</u>	<u>(782,233)</u>
Net cash provided by operating activities	\$ <u>9,671,168</u>	<u>7,983,372</u>

See independent auditors' report and notes to financial statements.

WEBER BASIN WATER CONSERVANCY DISTRICT

Notes to Financial Statements

June 30, 2006 and 2005

(1) Organization and Summary of Significant Accounting Policies

A. Organization

Weber Basin Water Conservancy District is a political subdivision of the State of Utah organized to construct and maintain water storage reservoirs to provide culinary and irrigation water within the District's boundaries. This report includes all funds of the District.

B. Financial Reporting Model

The District has implemented the financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*. The significant characteristics of these statements are as follows:

1. Presentation of management's discussion and analysis.
2. The term retained earnings is replaced by net assets.
3. The statement of cash flows is presented on the direct method.

C. Accounting Method

The District uses the accrual method of accounting to record its transactions. All applicable Financial Accounting Standards Board pronouncements are being applied except for those that conflict with or contradict Governmental Accounting Standards Board pronouncements.

D. Depreciation

Depreciation is computed on district constructed facilities by the straight-line method using the following useful lives: pipelines and canals - 60 to 70 years, wells - 65 years, plant and buildings - 15 to 60 years, autos, trucks and other equipment - 5 years. Depreciation is recorded so that the net results more nearly reflect recommended procedures for public utilities. Depreciation is not computed on any facilities constructed by the Bureau of Reclamation as title remains with the Bureau.

E. Reporting Entity

In evaluating how to define the government for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of this ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability of fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application for this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units.

F. Fund Accounting

The accounts of the District are organized as one proprietary fund type specifically as an enterprise fund. Proprietary funds account for the flow of economic resources and use the accrual basis for accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. The District applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations. Enterprise funds account for operations that are financed and operated in a manner similar to private business or where the intent of the governing body is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

WEBER BASIN WATER CONSERVANCY DISTRICT

Notes to Financial Statements - Continued

June 30, 2006 and 2005

(1) Organization and Summary of Significant Accounting Policies - Continued

G. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(2) Deposits and Investments

Deposits and investments for the District are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the District's exposure to various risks related to its cash management activities.

A. Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of District funds to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the commissioner of Financial Institutions as meeting the requirement of the Act and adhering to the rules of the Utah Money Management Council.

The District's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The District's deposits at June 30, 2006 were \$8,216,259, of which \$7,616,259 were uninsured and uncollateralized.

Investments. Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk of investments.

B. Credit Risk

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations; and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act.

The District is also authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized costs basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. Following are the District's investments at June 30, 2006:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Ratings</u>
PTIF Investments	<u>\$21,190,180</u>	54 days*	not rated

*Weighted-average maturity

WEBER BASIN WATER CONSERVANCY DISTRICT

Notes to Financial Statements - Continued

June 30, 2006 and 2005

(2) Deposits and Investments - Continued

C. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the District's investments are noted in the previous table.

D. Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy to limit this risk is to adhere to the rules of the Money Management Council and to invest most of its available funds in the PTIF. The Council rules do not limit the amount of investments a government may make in any one issuer except for Rule 2 regarding certain endowments and funds with a long-term perspective, and Rule 17 which limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the government's portfolio at the time of purchase.

(3) Water Stock Investments

At June 30, 2006, the District owed \$160,030 on 16 agreements to purchase Davis and Weber Counties Canal Company stock. The amount owed on June 30, 2005 was \$319,415 on 16 agreements.

(4) Capital Assets

Capital assets includes both facilities constructed by the Bureau of Reclamation and the District itself. Bureau constructed facilities are recorded at \$81,631,000; the total amount to be reimbursed by the District according to the repayment contract with the government dated December 31, 1952 and as amended.

Changes in capital assets are as follows:

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Land	\$ 5,408,835	-	-	5,408,835
Plant and buildings	51,329,965	1,951,972	-	53,281,937
Wells	13,361,930	757,884	-	14,119,814
Pipelines and canals	44,986,402	1,054,095	-	46,040,497
Autos and trucks	1,322,140	208,989	191,683	1,339,446
Storage and distribution system	100,556,528	-	-	100,556,528
Computer software	296,861	26,876	61,196	262,541
Miscellaneous equipment	230,360	-	-	230,360
Lab equipment	506,614	-	-	506,614
Computer equipment	270,005	44,275	169,127	145,153
Machinery and equipment	17,023,805	184,317	99,754	17,108,368
Reservoirs	6,062,807	-	-	6,062,807
Office furniture	20,315	-	-	20,315
	<u>\$241,376,567</u>	<u>4,228,408</u>	<u>521,760</u>	<u>245,083,215</u>



WEBER BASIN WATER CONSERVANCY DISTRICT

Notes to Financial Statements - Continued

June 30, 2006 and 2005

(5) Long-Term Liabilities

Long-term liabilities consist of the following:

	<u>Interest Rate</u>	<u>2006</u>	<u>2005</u>
Canal company stock purchase contracts	-	\$ 160,030	319,415
United States Government:			
Original contract payable, final payment due in approximately 2034	-	33,806,619	35,212,376
Drought relief contract payable, final payment 2018	-	1,274,624	1,382,386
Rehabilitation and Betterment contract draws	-	18,164,828	17,348,487
Lost Creek payable	7%	331,319	358,202
Utah State Government:			
Smith Morehouse contract payable, final payment 2025	3%	5,521,680	5,735,437
Layton canal contract payable, final payment 2018	3%	838,949	891,499
1993 Kaneshville contract payable	-	-	130,925
1997 Kaneshville contract payable, final payment 2016	-	197,389	216,389
2001 Kaneshville contract payable, final payment 2016	-	336,836	370,515
Water Conservancy Revenue Bonds:			
Series 1999A	3.65%-5.50%	1,895,000	1,895,000
Series 2000A	-	600,000	625,000
Series 2000B	3.04%	4,819,000	5,070,000
Series A-6	4.40%	13,150,000	13,150,000
Series 2002B	2.36%-5.15%	6,085,000	6,935,000
Series 2002C	4.708%-5.250%	6,850,000	6,850,000
Series 2005B	3.5%-5.0%	<u>21,690,000</u>	<u>21,690,000</u>
		115,721,274	118,180,631
		<u>3,780,700</u>	<u>3,242,380</u>
Less current installments due		<u>\$111,940,574</u>	<u>114,938,251</u>

The aggregate amount of required payments at June 30, 2006 are as follows:

Year ended June 30,

2007	\$ 3,780,700
2008	3,823,670
2009	3,946,670
2010	4,595,670
2011	4,098,670
Subsequent	<u>91,695,194</u>
	<u>\$111,940,574</u>

Advance Refunding:

In May of 2005, the District issued \$21,690,000 of series 2005B revenue bonds to provide resources to purchase securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on \$21,335,000 of series 1999A revenue bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the District's books. The unrefunded portion of the series 1999A revenue bonds is \$1,895,000. This advance refunding was undertaken to reduce total debt service payments over the next 25 years by \$3,095,013 and resulted in an economic gain of \$734,467.

WEBER BASIN WATER CONSERVANCY DISTRICT

Notes to Financial Statements - Continued

June 30, 2006 and 2005

(6) Contributions

On December 11, 1980 the District entered into an agreement with Ogden City under which the District received 128 shares of Davis and Weber Counties Canal Company stock and 900 shares of Weber Canal Company stock. The City received 840 acre feet of untreated water in perpetuity without cost or expense to the City.

On December 27, 1984 the District entered into an agreement with South Weber Water Improvement District to sell the annual use of 2,506 acre feet of untreated water for irrigation usage. In return the District received 358 shares of Davis and Weber Counties Canal Company stock valued at \$1,091,900.

(7) Contingencies

As the District conducts its normal operations, from time to time it may become the defendant in law suits. The possible claim for damages in a future suit if upheld by judicial proceedings could exceed the \$20,000,000 limit of the District's current liability insurance policy. The District would then have to pay the excess from its own funds. There are currently no cases pending.

(8) Pension Plans and Retirement Benefits

Plan Description

The Weber Basin Water Conservancy District (District) contributes to the Local Governmental Noncontributory Retirement System, a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah, 84102 or by calling 1-800-365-8772.

Funding Policy

In the Local Governmental Noncontributory Retirement System the District is required to contribute 11.09% of its annual covered salary. The contribution rate is actuarially determined. The contribution requirements of the System are authorized by statute and specified by the Board.

The District's contributions to the Noncontributory Retirement System for June 30, 2006, 2005 and 2004 were \$369,494, \$367,664 and \$314,038 respectively, and 401(K) contributions for June 30, 2006, 2005 and 2004 were \$344,294, \$343,314 and \$329,666 respectively. The contributions were equal to the required contributions for each year.

(9) Prior Period Adjustment

During the year ended June 30, 2006, the District discovered errors in previously reported capital assets, depreciation expense, and accumulated depreciation. In prior years (approximately 24 years ago) several major capital assets were depreciated over fewer years than their actual useful lives. As a result, the correction of these errors had the following effects on the June 30, 2005 financial statements: capital assets less accumulated depreciation increased by \$551,260, accumulated depreciation decreased by \$551,260, investment in capital assets increased by \$551,260, total net assets at end of year increased by \$551,260, depreciation expense increased by \$61,388, and net assets at beginning of year increased by \$612,648.

WEBER BASIN WATER CONSERVANCY DISTRICT

Statement of Assets and Liabilities - By Funds

June 30, 2006

	Total (Memo Only)	General Deposi- tory Fund	District Operation and Maintenance Fund
Assets (other than capital assets):			
Cash	\$ 1,556,579	376	215,970
Investments	27,849,857	-	9,177,151
Due from funds	14,509	-	-
Water stock investment	12,046,988	-	-
Prepaid consulting fees	21,313	-	-
Insurance deposits	2,487	-	2,487
Cafeteria plan	2,000	-	2,000
Deferred bond interest	949,526	-	-
Bond issue costs	378,055	-	-
Amount to be provided for payment of contract obligations	45,194,335	-	-
Total other assets	<u>88,015,649</u>	<u>376</u>	<u>9,397,608</u>
Capital assets (note 4):			
Storage and distribution system constructed by the United States Government	98,657,031	-	-
Capital assets owned by the District	146,426,184	-	-
Less accumulated depreciation	<u>(34,293,736)</u>	<u>-</u>	<u>-</u>
Total capital assets	<u>210,789,479</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$298,805,128</u>	<u>376</u>	<u>9,397,608</u>
Liabilities:			
Accounts payable	\$ 3,259,586	-	1,185,601
Due to other funds	14,509	-	-
Bond premium	1,124,792	-	-
Water stock payable	160,030	-	-
Contracts payable	60,472,244	-	-
Bonds payable	55,089,000	-	-
Total liabilities	<u>120,120,161</u>	<u>-</u>	<u>1,185,601</u>
Net assets:			
Investment in capital assets	209,735,207	-	-
Contributions	2,244,503	-	-
Appropriated equity - capital improvement	24,626,685	-	-
Unappropriated equity	<u>(57,921,428)</u>	<u>376</u>	<u>8,212,007</u>
Total equity	<u>178,684,967</u>	<u>376</u>	<u>8,212,007</u>
Total liabilities and equity	<u>\$298,805,128</u>	<u>376</u>	<u>9,397,608</u>

<u>Capital Improvement and Special District Fund</u>	<u>United States Obliga- tion Fund</u>	<u>Operation and Mainten- ance Reserve Fund</u>	<u>Replace- ment Sinking Fund</u>	<u>Rehabili- tation and Betterment Project</u>	<u>Bond Fund</u>	<u>Fixed Asset Fund</u>
504,834	204,430	-	-	630,969	-	-
10,468,648	92,894	136,467	1,943,891	2,692,314	3,338,492	-
14,509	-	-	-	-	-	-
12,046,988	-	-	-	-	-	-
-	-	-	-	21,313	-	-
-	-	-	-	-	-	-
-	-	-	-	-	949,526	-
-	-	-	-	-	378,055	-
<u>10,079,097</u>	<u>35,115,238</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>33,114,076</u>	<u>35,412,562</u>	<u>136,467</u>	<u>1,943,891</u>	<u>3,344,596</u>	<u>4,666,073</u>	<u>-</u>
-	-	-	-	-	-	98,657,031
-	-	-	-	-	-	146,426,184
-	-	-	-	-	-	(34,293,736)
-	-	-	-	-	-	<u>210,789,479</u>
<u>33,114,076</u>	<u>35,412,562</u>	<u>136,467</u>	<u>1,943,891</u>	<u>3,344,596</u>	<u>4,666,073</u>	<u>210,789,479</u>
2,073,777	-	-	-	208	-	-
-	-	-	-	14,509	-	-
-	-	-	-	-	1,124,792	-
160,030	-	-	-	-	-	-
6,894,854	35,412,562	-	-	18,164,828	-	-
-	-	-	-	-	55,089,000	-
<u>9,128,661</u>	<u>35,412,562</u>	<u>-</u>	<u>-</u>	<u>18,179,545</u>	<u>56,213,792</u>	<u>-</u>
-	-	-	-	-	-	209,735,207
1,190,231	-	-	-	-	-	1,054,272
22,795,184	-	136,467	1,695,034	-	-	-
-	-	-	248,857	(14,834,949)	(51,547,719)	-
<u>23,985,415</u>	<u>-</u>	<u>136,467</u>	<u>1,943,891</u>	<u>(14,834,949)</u>	<u>(51,547,719)</u>	<u>210,789,479</u>
<u>33,114,076</u>	<u>35,412,562</u>	<u>136,467</u>	<u>1,943,891</u>	<u>3,344,596</u>	<u>4,666,073</u>	<u>210,789,479</u>

WEBER BASIN WATER CONSERVANCY DISTRICT

Statement of Cash Receipts and Disbursements - By Funds

Year Ended June 30, 2006

	<u>Total (Memo Only)</u>	<u>General Deposi- tory Fund</u>	<u>District Operation and Maintenance Fund</u>
Cash balance - July 1, 2005	\$ 1,141,928	95	77,289
Receipts:			
Replacement water sales	1,560,591	-	712,624
Municipal water sales	6,233,617	-	1,348,765
Water sales to companies	1,337,331	-	543,754
Irrigation water sales	3,354,910	-	2,431,472
Ad valorem taxes and fee in lieu of taxes	5,660,547	-	-
Power, fish and wildlife credits	160,179	-	160,179
Miscellaneous revenue	411,777	281	67,951
Transferred from other funds	5,501,244	-	3,978,000
Interest earned	1,089,921	-	307,312
Sale of investments (net)	883,903	-	-
Increase in long-term debt	811,354	-	-
Total receipts and beginning balance	<u>28,147,302</u>	<u>376</u>	<u>9,627,346</u>
Disbursements:			
Salaries	3,677,517	-	3,677,517
Payroll taxes and fringe benefits	2,105,101	-	1,740,149
Utilities	92,808	-	92,808
Maintenance and repairs	934,065	-	934,065
Sundry and other operating expense	2,238,293	-	1,891,809
Interest	2,649,138	-	-
Purchase of investments (net)	2,021,707	-	920,039
Capital expenditures	4,095,422	-	154,963
Transfer to other funds	5,501,244	-	26
Payment on long-term debt	3,275,428	-	-
Total disbursements	<u>26,590,723</u>	<u>-</u>	<u>9,411,376</u>
Cash balance - June 30, 2006	\$ <u>1,556,579</u>	<u>376</u>	<u>215,970</u>

<u>Capital Improvement and Special District Fund</u>	<u>United States Obliga- tion Fund</u>	<u>Operation and Mainten- ance Reserve Fund</u>	<u>Replace- ment Sinking Fund</u>	<u>Rehabili- tation and Betterment Project</u>	<u>Bond Fund</u>
768,791	104	-	-	295,649	-
662,048	-	-	-	-	185,919
1,381,197	-	-	-	423,305	3,080,350
83,806	-	-	-	126,435	583,336
501,091	-	-	-	257	422,090
-	5,660,547	-	-	-	-
-	-	-	-	-	-
343,545	-	-	-	-	-
1,469,529	-	-	-	543	53,172
386,498	59,495	11,860	80,341	139,716	104,699
-	19,105	288,140	-	576,658	-
-	-	-	-	811,354	-
<u>5,596,505</u>	<u>5,739,251</u>	<u>300,000</u>	<u>80,341</u>	<u>2,373,917</u>	<u>4,429,566</u>
-	-	-	-	-	-
364,952	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
280,731	-	-	-	21,340	44,413
219,385	16,419	-	-	-	2,413,334
345,037	-	-	80,341	-	676,290
3,218,851	-	-	-	721,608	-
53,689	3,978,000	300,000	-	1,000,000	169,529
609,026	1,540,402	-	-	-	1,126,000
<u>5,091,671</u>	<u>5,534,821</u>	<u>300,000</u>	<u>80,341</u>	<u>1,742,948</u>	<u>4,429,566</u>
<u>504,834</u>	<u>204,430</u>	<u>-</u>	<u>-</u>	<u>630,969</u>	<u>-</u>

WEBER BASIN WATER CONSERVANCY DISTRICT

Operation and Maintenance Fund
Statement of Operations

Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u> <u>Restated</u> <u>See Note 9</u>
Revenue:		
Sale of water:		
Replacement water	\$ 712,624	628,817
Municipal	1,348,765	1,439,182
Irrigation	2,431,472	2,293,772
Industrial	<u>543,754</u>	<u>498,957</u>
Total sale of water	5,036,615	4,860,728
Interest	307,312	159,503
Power sales	63,267	21,788
Fish and wildlife credits	96,912	115,941
Miscellaneous	<u>67,951</u>	<u>58,189</u>
Total revenue	<u>5,572,057</u>	<u>5,216,149</u>
Expenses:		
Operating:		
Salaries	2,704,127	2,574,144
Payroll taxes and fringe benefits	1,306,930	1,263,647
Chemicals	659,106	556,888
Utilities	92,808	912,850
Maintenance and repair	934,065	991,506
Other water districts and association - operation and maintenance	<u>541,322</u>	<u>526,733</u>
Total operating expenses	6,238,358	6,825,768
Administrative and general:		
Salaries	895,960	816,221
Payroll taxes and fringe benefits	433,323	400,864
Insurance and bonds	308,869	305,241
Other general expense	157,393	136,145
Professional service fees	87,248	93,373
Telephone and miscellaneous	<u>194,713</u>	<u>165,979</u>
Total administrative and general expense	2,077,506	1,917,823
Total expenses	<u>8,315,864</u>	<u>8,743,591</u>
Operating loss	(2,743,807)	(3,527,442)
Net transfers in	<u>3,978,000</u>	<u>3,700,000</u>
Income before depreciation	1,234,193	172,558
Less depreciation*	<u>3,843,097</u>	<u>3,833,780</u>
Net loss	<u>\$ (2,608,904)</u>	<u>(3,661,222)</u>

*Depreciation is a non-cash item entered on this statement to conform with recommended accounting practice for utilities.

WEBER BASIN WATER CONSERVANCY DISTRICT

Schedule of Insurance Policies in Force

June 30, 2006

Carrier	Expiration Date	Line of Insurance	Coverage	Limits
Continental Casualty Company (A XV)	06/01/2007	Property	Buildings & Personal Property Extra Expense Computer Equipment & Media Earthquake Flood	\$63,509,800 1,000,000 178,590 5,000,000 5,000,000
Continental Casualty Company (A XV)	06/01/2007	Boiler and Machinery	Limit per Breakdown Expediting Expense Utility Interruption Damage Ordinance or Law	\$50,000,000 25,000 100,000 500,000
Continental Casualty Company (A XV)	06/01/2007	Inland Marine	Mobile or Contractors Equipment	\$ 1,168,500
American Alternative Insurance (A+XV)	06/01/2007	Crime	Public Employee Dishonesty Forgery Theft Disappearance & Destruction - Inside Theft Disappearance & Destruction - Outside Computer Fraud	\$ 250,000 250,000 100,000 100,000 50,000
American Alternative Insurance (A+XV)	06/01/2007	Commercial Liability	Bodily Injury and Property Damage Personal and Advertising Injury Professional Liability Wrongful Acts Employment Practices Liability Employee Benefit Liability Fire Damage Limit - Any one Premises Medical Payments - Per Accident	\$ 1,000,000 Per Occ 1,000,000 Per Occ 1,000,000 Per Occ 1,000,000 Per Occ 1,000,000 Per Occ 1,000,000 Per Occ 1,000,000 Per Occ 10,000
American Alternative Insurance (A+XV)	06/01/2007	Commercial Auto	Liability Limit (61 units per schedule) Personal Injury Protection (PIP) Uninsured Motorist Underinsured Motorist Hired Auto Physical Damage	\$ 1,000,000 Basic 1,000,000 1,000,000 50,000
American Alternative Insurance (A+XV)	06/01/2007	Excess Liability	Provides excess coverage over underlying General Liability, Auto Liability, Employers' Liability and Employee Benefits Liability, Wrongful Acts, Professional Liability, Employment Practices Liability Each Occurrence Aggregate	\$10,000,000 10,000,000
St. Paul Fire & Marine Insurance Company (A XV)	06/01/2007	Excess Liability	Provides excess coverage over underlying General Liability, Auto Liability, Employers' Liability and Employee Benefits Liability Each Occurrence Aggregate	\$10,000,000 10,000,000
St. Paul Travelers (AXV)	06/30/2007	Treasury Subordinates	Public office bond	\$ 1,300,000
Western Surety Company	06-15/2007	Bond	Notary E & O	\$ 25,000
Utah Local Governments Trust Automatic Renewal	Automatic Renewal	Workers Compensation	Work Place Accidents	N/A
Old Republic Surety Company	08/03/2006	Bond	Public official	\$ 1,000

WEBER BASIN WATER CONSERVANCY DISTRICT

Water Revenue Bonds - Series 1999A
Statement of Cash Receipts and Disbursements

June 30, 2006

	Total (Memo Only)	Refunding Escrow	Debt Service Fund
Cash balance - June 30, 2005	\$ 22,495,532	22,495,532	-
Receipts	1,241,468	831,985	409,483
Disbursements	<u>1,713,786</u>	<u>1,623,347</u>	<u>90,439</u>
Cash balance - June 30, 2006	<u>\$ 22,023,214</u>	<u>21,704,170</u>	<u>319,044</u>

WEBER BASIN WATER CONSERVANCY DISTRICT

Water Revenue Bonds - Series 2000A
Statement of Cash Receipts and Disbursements

June 30, 2006

	<u>Total (Memo Only)</u>	<u>Debt Service Fund</u>	<u>Service Reserve Fund</u>
Cash balance - June 30, 2005	\$ 43,152	25,639	17,513
Receipts	33,067	28,019	5,048
Disbursements	<u>27,280</u>	<u>27,280</u>	<u>-</u>
Cash balance - June 30, 2006	<u>\$ 48,939</u>	<u>26,378</u>	<u>22,561</u>

WEBER BASIN WATER CONSERVANCY DISTRICT

Water Revenue Bonds - Series 2000B
Statement of Cash Receipts and Disbursements

June 30, 2006

	<u>Total (Memo Only)</u>	<u>Debt Service Fund</u>	<u>Service Reserve Fund</u>
Cash balance - June 30, 2005	\$ 174,862	4,643	170,219
Receipts	450,470	401,399	49,071
Disbursements	<u>405,128</u>	<u>405,128</u>	<u>-</u>
Cash balance - June 30, 2006	<u>\$ 220,204</u>	<u>914</u>	<u>219,290</u>

WEBER BASIN WATER CONSERVANCY DISTRICT

Water Revenue Bonds - Series A-6
Statement of Cash Receipts and Disbursements

June 30, 2006

	<u>Total (Memo Only)</u>	<u>Construction Fund</u>	<u>Bond Fund</u>
Cash balance - June 30, 2005	\$ 310,579	2	310,577
Receipts	713,900	-	713,900
Disbursements	<u>612,032</u>	<u>2</u>	<u>612,031</u>
Cash balance - June 30, 2006	<u>\$ 412,447</u>	<u>-</u>	<u>412,446</u>

WEBER BASIN WATER CONSERVANCY DISTRICT

Water Revenue Bonds - Series 2002B
Statement of Cash Receipts and Disbursements

June 30, 2006

	<u>Total (Memo Only)</u>	<u>Project Fund</u>	<u>Bond Fund</u>
Cash balance - June 30, 2005	\$ 1,516,432	331,752	1,184,680
Receipts	1,399,272	10,465	1,388,807
Disbursements	<u>1,314,210</u>	<u>169,529</u>	<u>1,144,681</u>
Cash balance - June 30, 2006	<u>\$ 1,601,494</u>	<u>172,688</u>	<u>1,428,806</u>

WEBER BASIN WATER CONSERVANCY DISTRICT

Water Revenue Bonds - Series 2002C
Statement of Cash Receipts and Disbursements

June 30, 2006

	Total (Memo Only)	Bond Fund
Cash balance - June 30, 2005	\$ 178,578	178,578
Receipts	348,308	348,308
Disbursements	<u>349,257</u>	<u>349,257</u>
Cash balance - June 30, 2006	<u>\$ 177,629</u>	<u>177,629</u>

WEBER BASIN WATER CONSERVANCY DISTRICT

Schedule 11

Water Revenue Bonds - Series 2005B
Statement of Cash Receipts and Disbursements

June 30, 2006

	Total (Memo Only)	Bond Fund
Cash balance - June 30, 2005	\$ 438,599	438,599
Receipts	4,303,222	4,303,222
Disbursements	<u>4,183,087</u>	<u>4,183,087</u>
Cash balance - June 30, 2006	<u>\$ 558,734</u>	<u>558,734</u>

WEBER BASIN WATER CONSERVANCY DISTRICT

Schedule 12

Schedule of Investments

June 30, 2006

Current assets investments:

Operation and Maintenance fund:

State Treasurers Investment Pool
America West Bank

\$ 8,427,151
750,000 \$ 9,177,151

Special District fund:

America West Bank
Barnes Bank
Wells Fargo Bank
State Treasurers Investment Pool
Bank of Utah

1,324,015
630,557
450,000
7,964,076
100,000 10,468,648

R and B fund:

Key Bank
State Treasurers Investment Pool

66,839
2,625,475 2,692,314

Bond fund:

Zions Bank

172,690

Total current investments

\$ 22,510,803

Sinking fund and reserve fund asset investments:

Extra-ordinary Operation and Maintenance fund:

State Treasurers Investment Pool

\$ 136,467

Replacement Sinking fund:

State Treasurers Investment Pool

1,943,891

United States Obligation fund:

State Treasurers Investment Pool

92,894

Bond fund:

Zions Bank

3,165,802

Total sinking fund and reserve fund
asset investments

\$ 5,339,054

Independent Auditors' Legal Compliance Report

The President and Board of Trustees
Weber Basin Water Conservancy District
Layton, Utah

We have audited the financial statements of Weber Basin Water Conservancy District for the year ended June 30, 2006 and have issued our report thereon dated September 15, 2006. Our audit included test work on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Truth in Taxation and Property Tax limitations
- Other Compliance Requirements
- Special District Compliance Issues
- Impact Fees and Other Development Fees

The District did not receive any major or non-major State grants during the year ended June 30, 2006.

The management of the District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, Weber Basin Water Conservancy District complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2006.

Crane Christensen & Ambrose

September 15, 2006

Report on Compliance and on Internal Control over Financial
Reporting Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards

The President and Board of Trustees
Weber Basin Water Conservancy District
Layton, Utah

We have audited the financial statements of Weber Basin Water Conservancy District as of and for the year ended June 30, 2006, and have issued our report thereon dated September 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management, Board of Directors and federal awarding agencies. However, this report is a matter of public record and its distribution is not limited.

Crane Christensen & Ambrose

September 15, 2006

Independent Auditors' Water Conservancy Revenue Bonds -
Series 1999A, 2000A, 2000B, A-6, 2002B, 2002C, and 2005B
Resolution Compliance Report

Zions Bank
Bond Trustee

We have audited the financial statements of Weber Basin Water Conservancy District for the year ended June 30, 2006 and have issued our report thereon dated September 15, 2006. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Weber Basin Water Conservancy District as of June 30, 2006, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with provisions of the Water Conservancy Revenue Bond Series 1999A, 2000A, 2000B, A-6, 2002B, 2002C, and 2005B Resolution in so far as it relates to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

We found the District's net revenues and other available funds for the year ended June 30, 2006 exceeded the rate covenant requirement for the year.

This report is intended solely for the information and use of the Bond Trustee and should not be used for any other purpose.

Crane Christensen & Ambrose

September 15, 2006

Report on Compliance with Requirements Applicable to each
Major Program and Internal Control over Compliance in
Accordance with OMB Circular A-133

The President and Board of Trustees
Weber Basin Water Conservancy District
Layton, Utah

Compliance

We have audited the compliance of Weber Basin Water Conservancy District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2006. The District's major federal programs are identified in the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major programs for the year ended June 30, 2006. The results of our auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management, board of directors, and federal awarding agencies. However, this report is a matter of public record and its distribution is not limited.

Crane Christensen & Ambrose

September 15, 2006

WEBER BASIN WATER CONSERVANCY DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2006

PROGRAM: BUREAU OF RECLAMATION - PROJECT LOAN

FINDING: None

QUESTIONED COSTS: None

RECOMMENDATION: N/A

DISTRICT'S REPLY: N/A

SUMMARY OF AUDITOR'S RESULTS

- A. Type of report issued on financial statements - unqualified.
- B. No reportable conditions or material weaknesses were disclosed.
- C. No material noncompliance was disclosed by the audit.
- D. No reportable conditions in internal control over major federal programs were disclosed by the audit.
- E. Unqualified opinion issued on compliance for major federal programs.
- F. No audit findings were required to be reported under OMB Circular A-133 Section .510(a).
- G. Major programs - Bureau of Reclamation - Project Loan.
- H. Dollar threshold to distinguish between Type A and Type B programs is \$300,000.
- I. Auditee did not qualify as a low risk auditee.

WEBER BASIN WATER CONSERVANCY DISTRICT

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2006

<u>Other Federal Awards</u>	<u>Federal CFDA Number</u>	<u>Award Amount</u>	<u>Expenditures</u>
Bureau of Reclamation - Project Loan	15.920740R1500	\$ 800,000	481,467
Home Land Security Grant	16.007	<u>154,600</u>	<u>154,600</u>
		<u>\$ 954,600</u>	<u>636,067</u>

Note - Basis or Presentation:

The accompanying schedule of expenditures of federal awards includes the federal award activity of Weber Basin Water Conservancy District and is presented in the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CRANE, CHRISTENSEN
& AMBROSE
Certified Public Accountants
A Professional Corporation

Steven F. Crane, CPA
Kent R. Christensen, CPA
Jeffrey L. Ambrose, CPA
Chuck Palmer, CPA

September 27, 2006

Weber Basin Water Conservancy District
2837 East Hwy 193
Layton, Ut 84040

We have completed the audit of the District's financial statements as of June 30, 2006. We express our thanks to Tage, John, Sherrie, Jackie and all of the District's fine staff for the assistance they gave us during our audit field work.

As stated in our engagement letter dated July 3, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the District's internal control. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year that were both significant and unusual; and of which, under professional standards, we are required to inform you. We noted no transactions for which there is a lack of authoritative guidance or consensus.

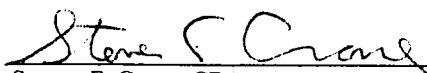
As a result of observations made during our field work, we make the following recommendation which we feel will make your accounting system even stronger.

Disbursements after the fiscal year end should be reviewed in search for June 30 liabilities. All liabilities found should be recorded.

We would be happy to assist the District in the implementation of the above recommendation. If there are any questions concerning this letter, please call me.

Sincerely,

CRANE, CHRISTENSEN & AMBROSE


Steven F. Crane, CPA

WEBER BASIN WATER CONSERVANCY DISTRICT

2837 East Highway 193 • Layton, Utah 84040 • Phone (801) 771-1677 • (SLC) 359-4494 • Fax (801) 544-0103

November 14, 2006

Tage I. Flint
General Manager/CEO

Board of Trustees:

Charlene M. McConkie
President
Davis County

Charles F. Black Jr.
Davis County

Karen W. Fairbanks
Weber County

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Robert L. Hensley
Weber County

Jewel Lee Kenley
Davis County

Stephen A. Osguthorpe
Summit County

Scott F. Peterson
Morgan County

Eric B. Storey
Weber County

Mr. Auston G. Johnson, Utah State Auditor
Utah State Capitol Complex
East Office Building, Suite E310
P.O. Box 142310
Salt Lake City, Utah 84114-2310

Dear Auston:

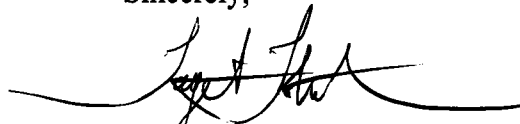
Please find enclosed the 2006 fiscal year audit report for Weber Basin Water Conservancy District along with the Survey of Local Government Finances – Special Districts. The audit was presented to and accepted by our board of trustees on October 27, 2006.

The audit performed by Crane, Christensen and Ambrose indicates that there were no unusual and significant issues found. Further, the audit indicates that all financial obligations and covenants were met.

The management letter lists one recommendation. It has been the District's practice to review disbursements near the fiscal year end to determine if any liabilities exist at year-end. A few instances of fiscal year 2006 liabilities were inadvertently not recorded in the appropriate fiscal year. We will ensure that all disbursements near the fiscal year-end are reviewed and are properly recorded.

If you have any questions regarding the audit please contact John Davis of our office or Steve Crane of Crane, Christensen & Ambrose.

Sincerely,



Tage I. Flint, PE
General Manager/CEO

TIF/jkd